

# POLICY BRIEF

June 2023

## Women's Participation in MSME in Nigeria: Prospects, Challenges, and Policy Recommendations.

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### 1.0. Introduction

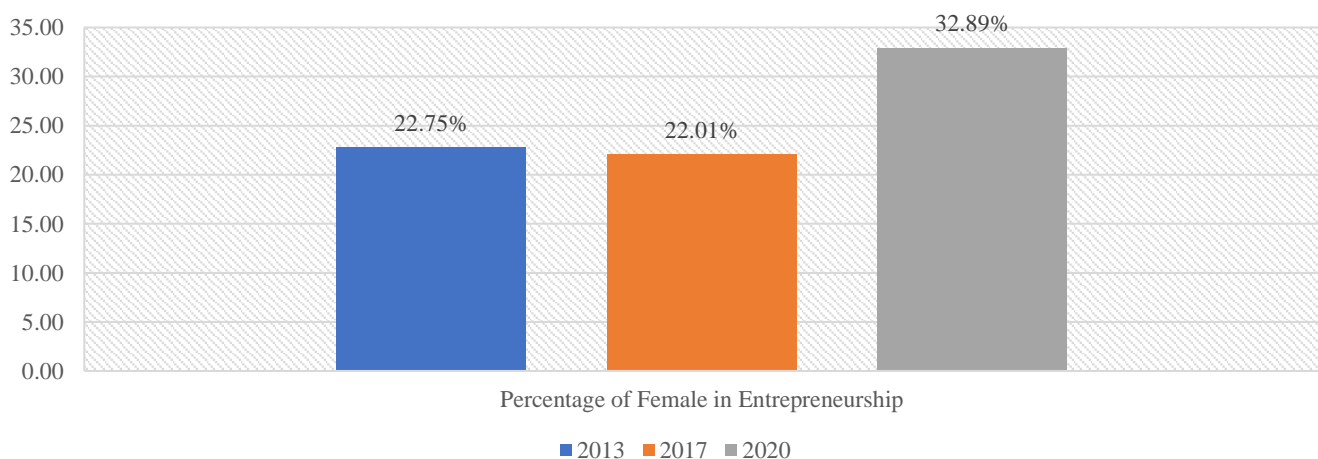
One of the most significant shifts in the labour market in the past decades has been the increase in the participation of women across the globe. This shift is widely highlighted for its positive impact on national productivity, economic growth and cultural implication for women's economic empowerment. In Nigeria, women's labour participation has begun to pick up in recent years after many years of stagnation. However, women's entry point into labour has been mainly through the informal sector or at the bottom pyramid of the formal labour market. Promoting women's inclusion in the top echelon of the labour market remains a knotty policy issue. This has become more important with the Nigerian government increasing priority around MSMEs as a tool for poverty alleviation and economic development. MSMEs can serve as both entry points and progression pathways for women. In this article, we examine the trend of female entrepreneurs joining the labour market and also explore other

impediments and the various policy measures to empower more women entrepreneurs.

### 2.0. Trends in Women's Participation in MSMEs in Nigeria

In recent times, women have advanced in a wide range of human endeavours, despite significant difficulties. As a result, many more women are now involved in micro, small, and medium-sized enterprises (MSMEs). Figure 1, based on a report by SMEDAN, shows the percentage of women engaging in MSMEs in Nigeria has increased between 2013 and 2020. Specifically, 22.72% of MSMEs in Nigeria in 2013 were owned by women, while their involvement fell slightly to 22.01% in 2017, it rose to 32.89% in 2020. This point to a continuous men's dominant position as job creators with 67.11% of the MSMEs still owned by them. However, there is a gradual increase in women's labour market participation which point to more women's economic empowerment, albeit at a slow pace.

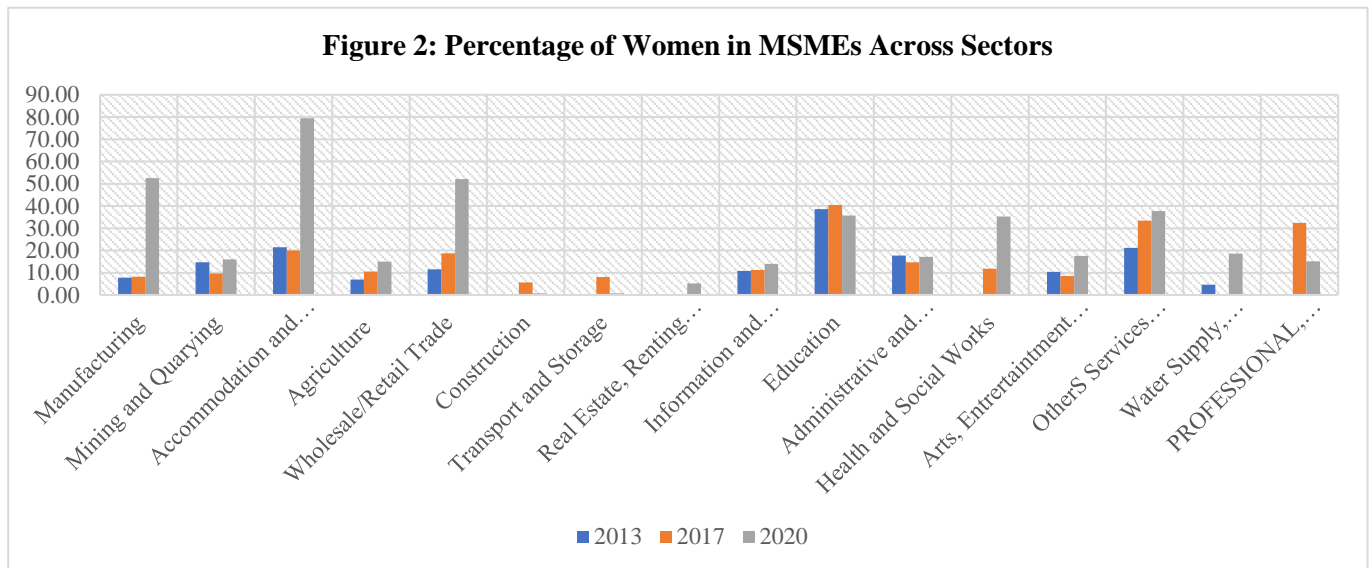
**Figure 1: Percentage of Women in MSMEs in Nigeria**



In today's economy, women are making strides in many fields, including MSMEs. Nonetheless, there are fields and industries where women are more prevalent. Figure 2 shows the distribution of women in the Nigerian MSMEs by industry. In general, women work mostly in MSMEs that are associated with the provision of services, including manufacturing (52.47%, wholesale and retail trade (52.06%), accommodation and food services (479.41%), education (35.74%), administrative and support work (17.14%), social

work and health care (35.31%), arts, entertainment, and recreation (17.52%) and other services activities (37.72%). Women's participation in traditionally male-dominated fields such as construction (0.65%), transportation and storage (0.70%) and real estate (5.24%) has increased in recent years (SMEDAN). However, compared to their male counterparts, their level of involvement is still quite low. The nature of the enterprises and the socio-stereotype associated with such businesses could explain this.

**Figure 2: Percentage of Women in MSMEs Across Sectors**



While women's participation in MSMEs remains significantly lower than that of men, there are a number of reasons for the progress that has been made thus far.

1. [Obinna and Muntaka \(2022\)](#) observed that recent socioeconomic circumstances in the country have forced women out of their comfort zones to start different types of businesses in order to supplement their families income.
2. Women's participation in a wider range of economic activities has also been encouraged by state and non-state actors' efforts to increase awareness and build capacity. [Arum \(2010\)](#) noted that non-governmental organisations (NGOs) initiatives, including workshops, seminars, symposiums, and even public relations campaigns, have had a substantial impact on women's participation in MSMEs.
3. In addition, several women profited from government initiatives or programmes such as the [National Social Investment Programme](#) designed to help entrepreneurs, which substantially

increased the participation of women in Nigeria ([Obon and Nwachukwu, 2018](#)).

4. Another factor contributing to the rise in women's involvement in MSMEs, according to [Madein \(2020\)](#) is a rise in gender financial inclusion.

### 3.0. Barriers to Women's Participation in MSME in Nigeria

Although there has been an improvement in women's engagement in MSMEs, long-standing restrictions continue to impede women from fully participating in MSMEs. Barriers can take many forms, ranging from cultural to structural. Even though there are more financial institutions and initiatives to ensure women's inclusion in the country's financial system, women continue to struggle to acquire capital to support their businesses.

According to [Ihugba, Odii and Njoku \(2013\)](#), a high interest rate levied by financial institutions, particularly deposit money banks, is a major barrier that prevents women from taking loans like their male counterparts. Also, the lack of assets to use for collateral can make financial institutions

perceive women as having poor credit, hence they are hesitant to lend to women business owners.

Women also faced cultural and religious barriers that could prevent them from starting their own businesses. Culturally, the roles of women have been deemed inferior to those of men. This has an indirect impact on women's interest to start a business. According to [Akinbami and Arinsiola \(2016\)](#), many Nigerian communities still engage in patriarchal practices and male chauvinism, suggesting that women are supposed to raise children at home along with other duties. As a result, many women find it challenging to balance their enterprises with their obligations at home.

In the case of religion, some religious practices exclude women from engaging in some types of businesses, much less creating their own businesses. According to [Bullough and Abdelzaher \(2013\)](#), while some religious practices allow women to operate some enterprises, such as small businesses, they are prohibited from operating other businesses that are deemed too dangerous for women to operate or are for men's domains.

In developing nations like Nigeria, institutional impediments present another threat to women's engagement in MSMEs. These barriers can appear in several ways, such as a hostile business environment. Additionally, women may not have the same access to networking and informal capacity development opportunities as males, which may limit their capacity to advance their managerial skills. Evidence also indicates that during economic downturns, women-owned businesses are more impacted than men-owned businesses. According to [Hyland, et al \(2020\)](#), the COVID-19 pandemic impacted more women-owned enterprises than men-owned businesses. Furthermore, their research showed that throughout the crisis, the demand for women-owned firms was lower than for men-owned businesses. Several factors, including the size of women's businesses, their limited access to financing, lower digital footprint among others, may be the potential explanation for this trend.

#### **4.0. Suggestions for Increasing Women's Participation in MSMEs**

While there has been progress in women's participation in MSMEs in Nigeria, there are still barriers to their full inclusion ([SMEDAN](#)). Hence,

there is an urgent need for reforms that would increase women's inclusion in MSMEs or would close the massive gender gap in MSMEs' workforce participation. This would require concerted efforts from the government, its agencies like SMEDAN, and non-governmental organisations (NGOs) working for the welfare or advancement of women within and beyond the country.

One of the reforms should focus on increasing women's access to financing their businesses. This may entail setting up microfinance institutions in all states or geopolitical zones that cater only for women and exclusively lend money to female business owners regardless of their region.

While numerous organisations or NGOs support the growth of female entrepreneurs in the country, more can be done to ensure that women have the technical knowledge or skills needed to expand, run, and sustain their businesses. Also, more training should be organized for present and future female entrepreneurs who want to start new businesses, whether by the government, NGOs, or a combination of both.

Most importantly, the government should ensure that women are included in all activities and policies implemented for enterprises or the private sector. Such programs or policies could clearly specify the number of women who will benefit from a certain government initiative or policy.

Additionally, given that the business climate is very important for the survival of companies, it is important to create a highly functional business environment with infrastructure facilities that aid the operation of firms. This includes, but is not limited to stable electricity, good roads, and potable water. This would ensure that both men and women could conduct business unencumbered.

Finally, the importance of education in altering societal perceptions about women's roles cannot be overstated. Therefore, additional educational initiatives emphasizing the need to include women in society, particularly in the creation of MSMEs, should be implemented. This should be done regularly to educate key players, including the local community and religious leaders, on the importance of female entrepreneurship.